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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

ROBERT E. LIPSCHUTZ ASSOCIATES, INC.,
Plaintiff-Respondent

V.

LINMARK ASSOCIATES, INC.,
Defendant-Petitioner

PETITION FOR WRIT OF CERTIORARI TO REVIEW FINAL JUDGMENT OF U.S. COURT OF APPEALS, THIRD CIRCUIT, DOCKET NO. 81-2414

Joseph S. Georgiana, Esq.
CAPEHART & SCATCHARD, P.A.
A Professional Corporation
304 Harper Drive
Moorestown, NJ 08057
(609) 234-6800
Attorney for Petitioner

The Superior Appellate Printing Company, Cranbury, NJ 08512

QUESTIONS PRESENTED FOR REVIEW

1. What are the standards governing the conduct of a federal court trial judge during a civil jury trial which assure that a litigant is not deprived of a fair trial by virtue of remarks and conduct of the trial judge in violation of the guarantee of the Due Process Clause of the Fifth Amendment to the U.S. Constitution which entitles a person to an impartial and disinterested tribunal in civil and criminal cases?

2. Has the federal court trial judge in this case by his remarks and conduct during the trial departed from the standards of fairness and impartiality required in judicial proceedings, thereby depriving petitioner of a fair trial in a fair tribunal?

3. Has the U.S. Court of Appeals, Third Circuit, by affirming the judgment entered in the trial court sanctioned the departure of the trial judge from the standards of fairness and impartiality required for a fair trial in a fair tribunal so as to call for the exercise of the power of supervisions of the U.S. Supreme Court?

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GROUNDS FOR JURISDICTION

This petition for writ of certiorari is made under 28 U.S.C.A. Section 1254(a), to review a final judgment of the U.S. Court of Appeals, Third Circuit, dated and entered July 13, 1982. An order denying a petition for rehearing en banc was filed and dated August 5, 1982.

CONSTITUTIONAL PROVISION INVOLVED

The constitutional provision involved in this petition is the Due Process Clause of the Fifth Amendment to the U.S. Constitution which provides in pertinent part:

"No person shall . . . . be deprived of life, liberty, or property, without due process of law; . . . ."

STATEMENT OF THE CASE

This diversity action was brought by the plaintiff-respondent, a general building contractor, against defendant-petitioner, a real estate holding and development company, in the U.S. District Court for the District of New Jersey, to recover damages for construction work performed by plaintiff on an I.H.O.P. restaurant project on property of defendant located in Maple Shade, New Jersey.

The action arose out of a transaction in which defendant purchased the property site for a proposed I.H.O.P. restaurant and was the lessor under a 25 year lease with an I.H.O.P. franchisee, Watkins Corporation, of Virginia, as the lessee. The lease provided that the lessor would furnish $270,000. for construction of the restaurant and that costs in excess of $270,000. would be paid by the lessee. Defendant's involvement in the transaction was initiated by a real estate broker named Seymour Ehrenkrantz who was defendant's contact with the lessee. Plaintiff entered a contract with the lessee for construction of the project. Defendant obtained a bank loan to finance its costs in the project. The proceeds of that loan were the source of monies paid by defendant to plaintiff for construction work on the project. When the project was 60% complete, the lessee was adjudicated a bankrupt in the federal court in Virginia and plaintiff stopped work on the project. Plaintiff sued defendant to recover damages of $112,509.05, upon various legal theories, including third-party beneficiary, constructive trust and *quantum meruit*.

The original complaint was filed March 19, 1980. The case was tried before a jury on March 16, 17, 18, 19 and 20, 1981. A jury verdict was rendered in favor of plaintiff against defendant in the sum of $112,509.05, with costs, and a judgment was entered on the verdict by the trial court on March 24, 1981. Defendant's motions for judgment N.O.V. and for a new trial were denied by the trial court in a written opinion filed June 17, 1981. Plaintiff's motion to add to the judgment pre-judgment interest of $16,817.78 was granted by the trial court by order dated and filed July 6, 1981. A notice of appeal was filed with the U.S. Court of Appeals, Third Circuit, on July 15, 1981. The

lower court judgment was affirmed, without written opinion, by a judgment of the court of appeals entered July 13, 1982. A petition for rehearing was denied by order entered August 5, 1982.

The facts material to the consideration of the questions presented for review concern remarks and conduct of the trial judge during the trial which are summarized as follows:

During the direct examination of the defendant witness, Ehrenkrantz, regarding the sharing of a commission on the purchase of the land with Mr. Markowitz, principal of defendant, the trial judge intervened in the proceedings as shown by the court record:

"Q Did you get a commission in the sale transaction involving the grounds?

A. Yes, I did.

Q Approximately how much was your commission?

A. Twenty-two hundred dollars.

Q Was part of that commission shared with another entity?

A. Yes, it was.

Q What was the other entity?

A. Mr. Markowitz.

Q Was it Mr. Markowitz personally or one of his companies.

A. Personally.

THE COURT: Markowitz was the buyer?

THE WITNESS: He was the buyer.

THE COURT: You shared a commission that was charged against the seller, the seller paid you a commission and you shared that commission with Mr. Markowitz?

THE WITNESS: Yes. That was part of my commission agreement with Mr. Markowitz.

THE COURT: It is a kickback of a part of the purchase price?

THE WITNESS: It was not a kickback, sir.

THE COURT: What was it?

THE WITNESS: Well, he is permitted to deal in real estate, sir.

THE COURT: I understand that. Did he buy it in his name?

THE WITNESS: No, he put it in the name of Linmark, yes.

THE COURT: But, as an individual, you then gave him back a part of the commission, is that it, is that how I understand it?

MR. GEORGIANA: If Your Honor please, may we interject? It is not accurate —

THE COURT: Let me find out. That's why I'm asking the questions.

MR. GEORGIANA: Fine. Okay.

THE COURT: You tell me what happened.

THE WITNESS: My agreement with Mr. Markowitz was that if I could make all these things happen and complete the project, that I would earn a commission of sixteen thousand dollars less fifty percent of anything I would earn on the land commission. I have not been paid. In fact been paid by Mr. Markowitz, his fifty percent.

THE COURT: All right."

On cross-examination of the defense witness, Ehrenkrantz, plaintiff's attorney used the term "kickback" repeatedly and the trial court permitted it, as shown below:

(Ehrenkrantz-Cross)

"Q Now, let me go below that. It says, 'lease, one half of commission, Osinski land,' right?

A. Yes.

Q That is the amount you were paid, right, for the Osinski land?

A. That is one half of the amount I was paid, yes.

Q The other half went to Mr. Markowitz, didn't it?

A. He did not receive it. I gave him credit against my commission as one commission against the other for a total commission — the total commission was sixteen thousand. The balance due I said was $14, 875.

Q So there was an arrangement with you and Mr. Markowitz whereby Mr. Markowitz would get a kickback of $1,125 for the sale of this land, is that correct?

MR. GEORGIANA: I object to that characterization.

A. No.

THE COURT: I used it. I will allow it.

THE WITNESS: I had a contract with Mr. Markowitz to that effect. It wasn't an arrangement — it was a contract.

CONTINUATION BY MR. SPRINGER:

Q So there was a contract to that effect for a kickback?

A. Right.

Q You put it in writing?

A. I did not say it was a kickback. I said it was what I was agreed to, what I would agree to accept as a commission.

THE COURT: Let me ask you this; Did the owner of the property know of the arrangement between you and Mr. Markowitz?

THE WITNESS: I was not the broker.

THE COURT: I ask you, did she know of the arrangement you were going to get back one half of the commission and give one half to Mr. Markowitz?

THE WITNESS: Yes.

CONTINUATION BY MR. SPRINGER:

Q Do you have anything in writing which shows that Mrs. Osinski knew that there was this arrangement for a kickback?

A. I was not dealing with Mrs. Osinski.

Q Did you have anything in writing that shows Mrs. Osinski knew? Yes or no?

A. Sir?

THE COURT: It is a question that can be answered.

THE WITNESS: I have no idea whether she knew or not.

THE COURT: You just told me she knew.

THE WITNESS: From the settlement sheet she would — no, she wouldn't. Okay.

CONTINUATION BY MR. SPRINGER:

Q She didn't know?

A. She didn't know.

Q Fine.

By whom was the commission paid for Mrs. Osinski's sale?

A. I received my commission from a McQue Agency. I was a broker with McQue Agency and I got my half of that commission from that agency.

Q Then your arrangement was to split your half with Mr. Markowitz?

A. Right."

During other stages of the trial, the trial court intervened with comments as shown below:

(DeLuca-Cross)

"Q In other words, materials were left on the site not applied to the building?

A. Yes, sir.

THE COURT: On your building contract, did it provide for the cost of materials incorporated into the building and those delivered to the site, too?

THE WITNESS: Yes, sir.

THE COURT: Proceed."

(DeLuca-Cross)

"Q How is that understanding reached and with whom?

A. I am not sure it was with — between Lipschutz and Linmark. Linmark was paying for all costs; labor, materials and sub-contract costs. Linmark was paying for work that we did.

THE COURT: Whether or not the materials were incorporated into the site or not?

THE WITNESS: Whether or not —

THE COURT: So long as they delivered —

THE WITNESS: As long as they delivered and we were in the process of installing them."

(DeLuca-Cross)

"Q So, that if you were to get $270,000 from Linmark you were looking to Watkins for $87,000, is that correct?

A. Yes.

THE COURT: Let me ask you this, sir: When you left you were operating on a budget of $357,000, correct?

THE WITNESS: Yes, sir.

THE COURT: And, then, two months went by and it cost $20,000 more to make up for that, is that what you are saying?

THE WITNESS: Yes, sir.

THE COURT: So, it becomes $377,000?

THE WITNESS: Yes.

THE COURT: That is the difference that you are talking about?

THE WITNESS: Yes, sir.

THE COURT: All right. You may proceed.

CONTINUATION BY MR. GEORGIANA:

Q But, the difference to Linmark is $100,000 —

MR. SPRINGER: He is arguing now, Your Honor.

THE COURT: I know that. Let's move along."

(DeLuca-Redirect)

"Q The $112,509.05, which you are claiming in this case, doesn't include anything relating to the sprinklers?

A. No, sir.

MR. SPRINGER: That's all I have.

THE COURT: You look for payment from Linmark, is that correct?

THE WITNESS: Yes, sir.

THE COURT: And, did you know Linmark was getting its funds from a bank to cover the costs of construction?

THE WITNESS: Yes.

THE COURT: You knew that?

THE WITNESS: Yes.

THE COURT: Did you know a draft would be paid from time to time from the bank to Linmark?

THE WITNESS: Yes, sir.

THE COURT: Predicated on your invoices?

THE WITNESS: Yes, sir.

THE COURT: And, the bank would make inspections from to time to see if the work was done?

THE WITNESS: Yes, sir.

THE COURT: All right. Are there any other questions?"

(Hutchison-Cross)

"Q After the bank loan was paid, did you have any further interest or involvement with the project?

A. Nope.

MR. GEORGIANA: I have no further questions.

THE COURT: Did you have anything to do with Watkins at all?

THE WITNESS: No, sir.

THE COURT: The loan was extended to Mr. Markowitz's company for the purposes of constructing the building, is that what it was?

THE WITNESS: It was an investment for him, done through Landmark Associates. It was really an accommodation to a customer of the bank.

THE COURT: Being built on his property, his building?

THE WITNESS: He purchased the property, yes sir.

THE COURT: I have no further questions."

(Ehrenkrantz-Redirect)

"Q Feasibility study, two thousand, is that correct?

A. Yes.

Q Who did that?

A. That's an outside agent that did that, that does the demographics.

Q Who paid for the cost?

A. That cost?

Q Who would pay for it?

A. That would be Watkins.

Q Would Lipschutz?

MR. SPRINGER: I don't know if there is any basis, Your Honor, for establishing this witness has knowledge as to who paid all of these bills. I would object until a foundation is laid showing he had some knowledge about each one of these particular items here and who they paid.

MR. GEORGIANA: My question was the responsibility, not the payment.

THE COURT: That will be a jury determination.

MR. GEORGIANA: If Your Honor pleases —

THE COURT: It is a jury determination as to whose responsibility it is to pay.

MR. GEORGIANA: What I want to show is the costs are, in this breakdown which are not in the estimate of July, 1979, of Mr. Lipschutz.

THE COURT: The items are in evidence, aren't they?

MR. GEORGIANA: Well, I don't know.

THE COURT: I'll sustain the objection. Mr. Ehrenkrantz, who owns the property?

THE WITNESS: Linmark.

THE COURT: Who owns the building presently on the property?

THE WITNESS: Linmark.

THE COURT: You may proceed."

ARGUMENT

The Due Process Clause of the U.S. Constitution entitles a person to an impartial and disinterested tribunal in both civil and criminal cases. *Marshall v. Jerrico, Inc.*, 100 S.Ct. 1610 (1980).

A fair trial in a fair tribunal is a basic requirement of due process and fairness requires an absence of actual bias in the trial of cases. *In re Murchison*, 349 U.S. 133, 136, 75 S.Ct. 623, 99 L.Ed. 942 (1955).

The right of a trial judge in a federal court to participate in the proceedings and to interrogate witnesses is not an unlimited one and should be exercised in conformity with the standards governing the judicial office. *Quercia v. United States*, 389 U.S. 466, 470, 53 S.Ct. 698, 77 L.Ed. 1321 (1933). *Knapp v. Kinsey*, 6th Cir. 1956, 232 F.2d. 458. Those standards are specified in *Knapp v. Kinsey, supra*, at page 466:

> "When the remarks of the judge during the course of a trial, or his manner of handling the trial, clearly indicate a hostility to one of the parties, or an unwarranted prejudgment of the merits of the case, or an alignment on the part of the Court with one of the parties for the purpose of furthering or supporting the contentions of such party, the judge indicates, whether consciously or not, a personal bias and prejudice which renders invalid any resulting judgment in favor of the party so favored."

Also, the trial judge by words or conduct must not disparage a litigant in the eyes of the jury, *Goldstein v. United States*, 8th Cir. 1933, 63 F.2d. 609, and must maintain an atmosphere of strict neutrality and utmost impartiality, *Travelers Insurance Company v. Ryan*, 5th Cir. 1969, 416 F.2d. 353, so that "justice must satisfy the appearance of justice", *Offutt v. United States*, 348 U.S. 11, 14, 75 S.Ct. 11, 13, 99 L.Ed. 11 (1954), and the scales of justice are weighed "equally between contending parties", *In re Murchison, supra.*

The foregoing authorities indicate that a litigant in a civil jury trial has a right to a trial judge who is reasonably free of bias toward the litigant and a trial where the atmosphere fostered by the trial judge is one of fairness and impartiality. *Knapp v. Kinsey, supra,* page 467.

Did the trial judge in this case conform to those standards? We think not. Did the U.S. Court of Appeals, Third Circuit, sanction the departure of the trial judge from those standards? We think so.

At the trial, during the direct testimony of the defense witness, Ehrenkrantz, the trial judge introduced the word "kickback" into the case, to characterize the commission agreement between defendant and Ehrenkrantz, which agreement was not material to the issue of liability in the case. There was no reason for the trial judge to inquire into that agreement or to "find out" whether it was a "kickback". Since the word "kickback" connotes impropriety in the public mind, due to news media coverage of various "kickback" charges against public figures, the only conclusion the jury could draw from the trial judge's vigorous pursuit of that subject with Ehrenkrantz was that defendant was engaged in improper activity and that defendant's witnesses were persons of bad character.

The prejudicial effect of the "kickback" remarks of the trial judge compounded on cross-examination of Ehrenkrantz when plaintiff's attorney used the term repeatedly, over the objection of defendant's attorney, with the permission of the trial judge, who said, "I used it. I will allow it." Later, during the cross-examination, the trial judge said, "Let me ask you this, did the owner of the property know of the arrangement between you and Mr. Markowitz?" The trial judge thereby indicated that the owner may have been swindled. In fact, the commission arrangement for the I.H.O.P. project had no affect on the owner, who paid the normal sales commission to her broker and the latter split it with Ehrenkrantz as cooperating broker. If Ehrenkrantz had been paid a commission by defendant for the I.H.O.P. project, the commission would have been reduced by the amount Ehrenkrantz received as cooperating broker. Thus, the "kickback" episode, as introduced into the case by the trial

judge, was totally unnecessary, unjustified, and could only operate to discredit and disparage the defendant in the eyes of the jury. That episode cast an atmosphere of prejudice over defendant's case and deprived defendant of a fair trial. The prejudicial effect was the same as if the trial judge said to the defendant's witnesses, "You are swindlers and crooks." Once the defense witnesses were cast in the role of "bad characters" by the trial judge, their credibility was destroyed and the jury was prevented from exercising an impartial judgment upon the merits. To the ordinary juror, the impression of defendant's witnesses as "bad characters" would be dynamatic and sensational, and that impression could not be erased by a general instruction at the end of the case that the jury was at liberty to disregard the comments of the court in arriving at their findings of fact.

In addition to the "kickback" remarks, the trial judge intervened with questions of witnesses on several occasions in a manner which aligned the judge on the side of the plaintiff. At the end of the testimony of plaintiff's witness, DeLuca, the project superintendent, the trial judge asked a series of questions which were leading and elicited "Yes" answers, relating to plaintiff looking for payment from defendant, knowing that defendant was getting its funds from a bank to cover costs of construction and that the bank issued drafts to defendant, "Predicated on your invoices," and that the bank would make inspections from time to time "to see if the work was done." At the end of the testimony of the defense witness, Ehrenkrantz, the trial judge asked the witness two questions, "Who owns the property? Who owns the building presently on the property?" The ownership of the property and building had been stipulated by the parties in a stipulation of facts read into the evidence at the start of plaintiff's case. Those questions indicated to the jury, that those were the only crucial facts, thereby obscuring the facts needed to support legal theories, such as third-party beneficiary, constructive trust, *quantum merult*. By asking the questions which were posed to the witnesses, at the end of their testimony, and in the form they were framed, the trial judge clearly assumed the role of lawyer for plaintiff, in active support of plaintiff's case.

Considering the horrendous prejudicial effect of the reference by the trial judge to a "kickback" arrangement between defendant and Ehrenkrantz, on the minds of the jury, and the one-sided participation of the judge in support of plaintiff's case, it is obvious that defendant's right to a trial judge who is reasonably free from bias or prejudice, and to a trial where the atmosphere fostered by the judge is one of fairness and impartiality has been violated. The U.S. Court of Appeals, Third Circuit, affirmed the lower court judgment, without any opinion. That action of the appeals court sanctioned the violation of defendant's fundamental right to a fair trial in a fair tribunal. The U.S. Supreme Court must exercise its power of supervision and grant this petition so that the unjust result in the lower courts may be corrected.

CONCLUSION

In light of the conduct of the federal trial judge in this case, and the rubber stamp sanction of that conduct by the appeals court, without the benefit of an opinion giving reasons, this case will provide the U.S. Supreme Court with the opportunity to clarify and fix the standard of conduct of a federal trial judge in a civil jury trial, so that the principle that "justice must satisfy the appearance of justice" may be preserved in all tribunals of the federal court system and so that the public will have the assurance that such courts are governed by fairness and impartiality.